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May 16, 1985

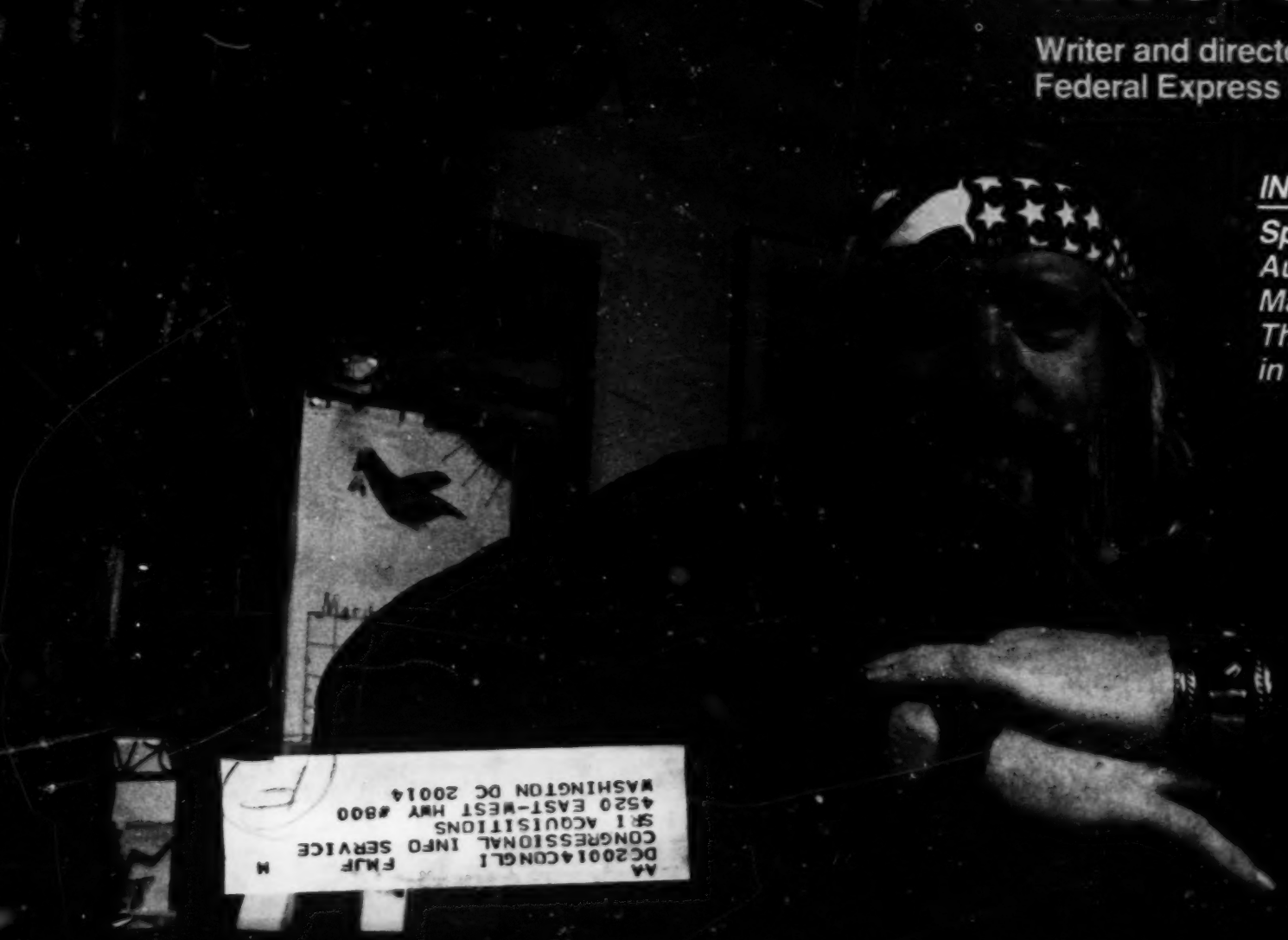
Advertising Age Thursday

Patrick Kelly: adding movies to his growing list of credits

Writer and director goes from Federal Express to "Beer"

INSIDE

Special Report: Automotive Marketing— The aftermarket in transition



In the news

She'll show you how to act

To Joan See, commercial acting is serious business. She is director of Actors in Advertising, a school for commercial actors on the fringe of Manhattan's Chelsea district. *See Page 4.*

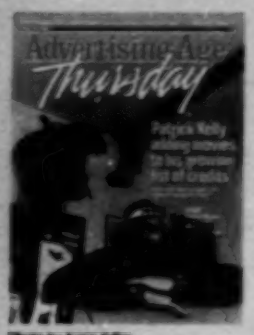


Photo by Arnie Adler

Kelly's hot

Patrick Kelly is appreciated mainly for his comic skills on the multi-award-winning Federal Express commercials ("Absolutely, positively has to be there overnight"). His latest venture, though, is directing a film spoof, "Beer," about an ad agency threatened with the loss of a major beer account. Made by Orion Pictures, it takes Kelly down the alluring celluloid path so successfully trodden by fellow ad directors such as Alan Parker and David Puttnam. *See Page 5.*

A well bread twosome

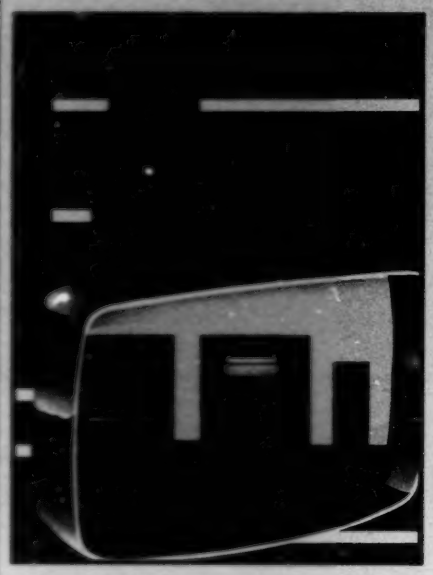
You'll probably never see the names of Jean-Michel Savoca and Boyce Brawley emblazoned on a marquee, even though the duo has played some of the best known theaters in New York. Savoca and Brawley are creative caterers. They design intimate dinners for 10 and huge galas for 2,000. *See Page 46.*

He's got a reel-y neat job

Jim Byerley watched 500 movies last year—and got paid for it. He helps Home Box Office pick its movies. *See Page 48.*

Special Report

Automotive Marketing



The automotive aftermarket is racing into consumer marketing, with specialty service chains, auto-parts stores and high-tech add-ons. A profile of the issues facing this industry appears in Special Report, *starting on Page 13.*

Chiat/Day's Nike sportswear ads dominated the One Club for Art & Copy's One Show awards program this week with work like this (above). Art directors Gary Johns and Jeff Gorman and photographer Mark Coppos are credited for the ad, winner of the One Club gold award for a magazine color page.

Chiat golden at One Show

By Stewart Alter

Who would think an ad campaign that glorifies agony and uses sweaty, out-of-breath people to extol the "play is work" ethic would emerge as the campaign of the year? But that's just what has happened with Chiat/Day's campaign for Nike sportswear.

Chiat/Day's work for Nike, previously picked as the Magazine Publishers Assn.'s best magazine campaign of the year (AA, March 25), has gone on to grab more kudos, dominating the One Club for Art & Copy's One Show awards program May 14 in New York.

Los Angeles-based Chiat/Day took away five gold awards (all for Nike), two more than the next-highest gold award winner, Ally & Gargano three. Nike also accounted for two of Chiat's six silver awards and its one bronze. The agency's total of 12 awards was by far more than any other agency's. Winners of two golds each were Fallon McElligott Rice; Levine, Huntley, Schmidt & Beaver; Livingston & Co., and Scali, McCabe, Sloves.

In a way, Nike's victory is not so strange. For if 1984 was, in *Newsweek's* phrase, the "Year of the yuppie," Nike is clearly the campaign most in touch with what the yuppie phenomenon is about, at least insofar as it affects marketing.

Various pieces of research on young urban professionals show the "work hard, play hard" generation is conscious of and very serious about brands. They're shown to be status-conscious without wanting to admit it. And with distinctions being blurred between work and play, symbols of leisure can become the substitutes for leisure.

This McCall's campaign won a One Club gold for Levine, Huntley, Schmidt & Beaver, New York.

Marketers, who might once have been thrilled just to know consumers were brand loyal, have in yuppies a transcendent quality: Brand passion. And the Nike campaign benefits from this by embodying such yuppie tenets as "achievement is worth the agony," "be serious about yourself" and "there's no room for any play that isn't work."

The No. 2 winner of One Show gold awards turned that last statement inside out. Federal Express, and its humor-rich approach, seems to say, "There's no room for any work that isn't play." Federal, accounting for two of New York-based Ally & Gargano's three gold awards, has, of course, been winning awards for years.

But Federal has been more than just a funny campaign. It has been on target not just in its message but in its insights about the environment in which its service is sold.

Its sensibility parallels the same brilliant format that characterized "The Mary Tyler Moore Show" in the world of tv programing: It recognizes that the sitcom of office life is both funnier and more neurotic than anything that goes on at home—at least as depicted on tv.

In terms of total One Show awards, the second-highest number, after Nike, went to BMW of North America. It won five awards (one gold, three silver, one bronze) for Ammirati & Puris, New York, which has been turning out first-class work for BMW ever since the agency opened for business more than a decade ago.

In fact, there were many other long-running campaigns in the One Show's latest awards program. Perdue Inc., the poultry marketer, and Volvo of America, won two gold awards for Scali, McCabe, Sloves, New York, which also won a silver and a bronze award. Campaigns for Lite beer from Miller and Pepsi-Cola won one gold each for Backer & Spielvogel and BBDO, both New York, respectively.

There also were some new, relatively unfamiliar client names.

(Continued on Page 51)

Presstime

Agency sought to chip in

Los Angeles—Famous Amos Chocolate Chip Cookie Corp. is looking for an ad agency to handle its $1 million cookies account. Until now, Famous Amos had relied solely on public relations for support. The company is now developing an ice-cream line, a chocolate milk and is working with White Rock Beverages, New York, on a line of diet chocolate soft drinks, says recently named Famous Amos president Donald Sawyer.

BK beefs up Whopper ads

Miami—Burger King Corp. will spend $30 million on an eight-week tv effort backing introduction of its new, beefier Whopper sandwich (AA, May 13). The campaign, via J. Walter Thompson USA, New York, will break in early June.

Hyundai narrows search

Garden Grove, Cal.—Hyundai Motor America, which will begin marketing South Korean-built automobiles in the U.S. later this year, has narrowed its agency search to three finalists: Backer & Spielvogel, Benton & Bowles and Jordan, Case & McGrath, all New York. The decision on the $25 million account will be made July 1.

Canon develops new ads

New York—Canon USA will back its two latest entries to the amateur photography market—the Snappy S and the Canon Sprint—with an estimated $7 million consumer network tv and print campaign, beginning this month. The cameras, priced at $90 and $160, respectively, will be available in late June. Grey Advertising handles.

AHP signs NBC deal

New York—American Home Products Corp., network tv's fifth-largest advertiser, has cut a major three-year upfront deal with NBC-TV Network (AA, March 11). AHP is coming off a three-year, multi-daypart buy with NBC worth $250 million.

Cap Cities ponders sales

New York—Capital Cities Communications says it would sell four tv stations, 15 radio stations and 54 cable systems to meet Federal Communications Commission requirements in its proposed $3.5 billion takeover of ABC Inc. Cap Cities, however, says it will seek an FCC waiver to keep WPVI-TV, its Philadelphia station. WPVI and WABC-TV, the ABC flagship in New York, have overlapping coverage areas, a violation of FCC rules. If the waiver is granted, Cap Cities says, it *(Continued on Page 51)*

CURRENTS

It's so informative and so much fun, we decided to double its frequency. Yes, Currents goes weekly in Advertising Age Thursday starting with this issue. *(See Pages 10 and 11.)*

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ABP ABC ANPA

Muffler shops search for golden touch

By Len Strazewski

Once upon a time there was a king whose touch turned everything to gold and whose domain extended from shore to shore.

The king was a great success, taking over more and more territory and even expanding into foreign lands. However, the more attention he gave foreign campaigns, the greater the risk that competitors would win the hearts of his people.

A familiar fairy tale? In the muffler division of the automotive aftermarket, it's more like a market report as everyone keeps one eye on their image and the other on the industry kingpin, Midas International.

Midas dominates the installed replacement muffler field with 1,415 franchised shops in the U.S. and more than 400 more outside the country. That's more than three times the size of its nearest competitor.

Part of Chicago-based IC Industries, 29-year-old Midas generated record revenues of $298 million in 1984, up 10% from the previous year, according to the parent company's annual report. Midas franchisees also generated record revenues—$649 million, up 19% from 1983.

Midas opened 74 service shops in the U.S. last year and completed a major expansion of its muffler manufacturing facility in Hartford, Wis. The company currently supplies 98% of all exhaust components installed by its franchisees.

Midas International would not discuss its marketing strategy with ADVERTISING AGE, but industry observers say the future of Midas and the muffler specialty shop business, including the rapidly expanding regional muffler chains, is limited only by the imagination and skill of its managers.

"There's still plenty of room for growth and competition in the muffler specialty business," says Jim Wilder, editor of *Muffler Digest*, a Springfield, Mo.-based industry trade publication. "Midas is a leader, of course, but there are plenty of other competitors. It by no means has a stranglehold on the business."

A market study sponsored by *Muffler Digest* and released early this year reveals that the nation's 11,000 muffler specialty shops control about 43% of the muffler/exhaust system replacement market. The specialty shop portion is up 50% over six years ago, the study says.

The remaining 57% of the market is split over many other competing outlets including jobbers (15%), service stations (10%), repair garages (8%), mass merchandisers (7%), car dealers (5%), discount department stores (4%) and miscellaneous outlets (8%).

"The trend has been for the business to move from service stations and repair garages toward specialty stores, and there's no particular reason for that trend to change," Mr. Wilder says.

"And, of course, these specialty shops aren't just selling mufflers; they are into brakes, shocks, suspensions and front-end service and that business has much more room to grow."

Among the specialty store portion of the exhaust replacement market, Midas, with about 12.9% of the outlets, has about 25% of the business, according to industry observers. But the market, they say, hardly is saturated.

"Market saturation is always a question people ask, but as long as there is an opportunity to grow, there's no saturation," says Barry Zeigler, vp and analyst with Tucker, Anthony & R.L. Day, New York. "One way for Midas to grow is by offering other services—which it has done. Another way to grow is for it to continue what it has been doing: A good product, good service and good advertising."

Another industry observer, Lee Tawes, senior vp and analyst with Oppenheimer & Co., New York, agrees. "Sure there's a lot of competition, but there is still room for greater market penetration, both in the U.S. and overseas."

Midas is also a marketing dynamo and that can't hurt either, the analysts say. According to the IC Industries 1984 annual report, Midas International and its franchisees invested more than $46 million in advertising, primarily spot tv.

Although the Midas agency, Wells, Rich, Greene, Chicago, would not discuss ad strategy, automotive advertising insiders and industry observers note that in the past couple of years, Midas set the industry on its ear by marketing a lower-priced "economizer" muffler with a one-year guarantee, a maneuver soon imitated by its competition.

This year, however, the "Trust the Midas touch" series slowly is abandoning price to focus on reliability and product quality.

"There was no real trend to price marketing," says Myron P. Gordon, executive director of the National Midas Dealers Assn., an Irvine, Cal.-based trade group representing the Midas franchisees. "Midas does what it has to to respond to market needs. People wanted a lower priced muffler option and so it was provided."

The "Trust the Midas touch" campaign is the more traditional approach, he says.

Other muffler specialty competitors are taking a similar approach. Toronto-based Tenneco, marketer of Walker mufflers, controls two major chains, Car-X and Speedy Muffler King, whose combined 434 shops in the U.S. and Canada rank it a distant second behind Midas. Both chains are marketing reliability and security to a marketplace hungry for those qualities.

"People are still looking for the same things: Service, speed and a quality product," says Fred Karp, senior vp-general manager of Tenneco Automotive Retail. "That's what we are marketing. Automotive service consumers are extremely value-conscious and generally feel that the credibility of dealers is very low. We are trying to establish and improve that credibility."

In Canada, the company-owned Speedy Muffler King chain emphasizes a corporate theme, "At Speedy you're a somebody," in tv spots and last summer promoted the dealerships with a "Scratch and Win" sweepstakes offering a one-in-ten chance to win free repair work or a cash prize.

In the U.S., where the chain opened 26 stores last year for a total of 136, tv and radio advertising created by Bozell & Jacobs, New York, echoed the corporate theme within spots titled "That Speedy feeling."

"Awareness is most important for Speedy Muffler King in the U.S.," says Vic Kaminoff, vp-account supervisor at B&J. "And that continues to be our target." The 30-second tv spots featured vignettes of consumers with bad mufflers receiving personal and informed service from their Speedy Muffler King dealer.

This year, the tv campaign is taking a more aggressive approach. In a 30-second spot, titled "Next time, go to Speedy," the company takes a shot at the competition by showing a consumer who had received poor service from a rival coming to Speedy for new repairs.

"We are assuming that the consumer has had some kind of bad service—bad product, poor work, lousy service or just poor treatment as people," Mr. Kaminoff says. "We are saying that Speedy is the exact opposite."

The spot is running in 18 northeastern and midwestern areas of dominant influence in prime time and sports programming. The company would not disclose the ad budget for the Speedy Muffler King chain.

The agency also prepared print advertising to herald new dealers in Washington and Detroit. One print ad features a new Speedy Muffler King store in the District of Columbia with the headline "Washington's newest monument."

Tenneco's other retail muffler operation is the Car-X Service Systems chain, purchased in August. Car-X has about 100 dealers in the U.S. that run 47 company-owned stores in Chicago, Indianapolis, Milwaukee, Cincinnati and Tampa, Fla., and 53 franchised stores throughout the Midwest.

Car-X continues its "Rattle, rattle, thunder, clatter, boom, boom, boom," musical tv spots in 11 major midwestern markets and parts of Florida during news, sports and late-night programing. The current annual budget is $2.5 million.

"The average consumer who doesn't know much about cars is always of the opinion that he or she is not always being treated fairly in the automotive aftermarket. That's the feeling we are trying to counter with these spots," says Robert Kaplan, exec vp of Dawson, Johns & Black, Chicago, agency for Car-X. "We are trying to show that the guys who operate the Car-X shops are dedicated operators who try to relieve your fears and are willing to show you what needs to be done. They are reliable."

The punch line of the jingle, "Don't worry, call the Car-X man," emphasizes that reliability.

The Tenneco operations are not the only competitors eyeing Midas' success.

Meinecke Muffler Co., Houston, ranks as the third largest muffler shop chain in the nation, according to industry sources, with about 400 locations primarily in the South and Midwest. Meinecke would not discuss its marketing plans with ADVERTISING AGE, but the company is known to be abandoning its price-oriented advertising in favor of a stronger image presentation.

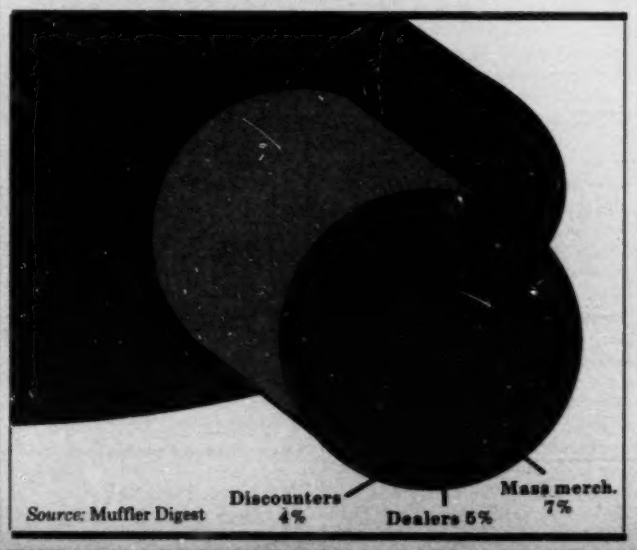
Meinecke's spot tv ads, "Meinecke Muffler shatters prices," which have been running for the past two years, still are playing in some Midwest markets courtesy of local operators. But new ads, produced by M&N Advertising, Houston, follow the industry trend of image over pricing.

Another strong regional competitor is Tuffy Muffler Shops, Saginaw, Mich. Founded about 10 years ago by several disgruntled Midas dealers in Michigan, Tuffy now has about 65 franchised shops in the upper Midwest.

Will these pretenders ever come close to the Midas throne? Probably not soon, but when it comes to marketing, everyone has their eye on the king.

WASHINGTON'S NEWEST MONUMENT
Speedy
muffler king
MUFFLERS · BRAKES · SHOCKS
It's the Speedy Muffler King sign outside our new shops in the Washington area. Speedy Muffler King is one of the fastest growing muffler companies with over 300 shops worldwide. And now our 12 new Washington shops give us a total of 18 in the Washington-Baltimore area.
We're growing so fast because we give our customers so much. Speedy's mufflers, shocks, brake shoes and disc pads are guaranteed for as long as you own your car. You get a firm estimate before work begins. Free inspection and free installation. Even free coffee. Plus monumental money-saving offers. So the next time you need a muffler, brakes or shocks, or just a free inspection, go to Speedy.
GET-ACQUAINTED SPECIAL OFFERS
FREE
$9.95 OIL/LUBE/FILTER

Speedy Muffler King heralds the opening of a shop in the District of Columbia as "Washington's newest monument."



Source: Muffler Digest

Len Strazewski is an associate editor of ADVERTISING AGE.

Mass-outlet retailers gear up automotive sections

By Faye Brookman

Although aspirin and motor oil usually do not mix, many mass marketers are finding the combination a profitable one.

During the past few years, mass-outlet retailers—drugstores, supermarkets, discount retailers and convenience stores—have been scurrying to enrich their automotive selection as a vehicle for tapping into the $30 billion auto parts and accessories market.

Faye Brookman is a free lance reporter specializing in retail topics.

The product mix, according to Margaret Kelch, managing editor of *Home & Auto*, a Harcourt Brace Jovanovich publication based in Cleveland, has ballooned from just oil and waxes to so-called "hard" parts and ignition systems. Today it is not uncommon to find a mini specialty auto shop housed under a drugstore or discount store roof.

It is not surprising that mass retailers plunged into this lucrative market.

With automotive items carrying gross profit margins as high as 45%, the market offers retailers much higher profits than traditional fare. Those margins in a typical drugstore, for example, hover between 25% and 30%. Then, too, the automotive department produces net profit of 5%, compared with the traditional 2% to 3% produced by drugstores and discount retailers.

Although mass retailers' sales of automotive products have slowed somewhat since the early 1980s, growth is pegged by Fairfield, N.J.-based market researcher C.H. Kline & Co. at 8.9% a year through 1988—a rate outpacing growth in many other product categories sold through mass outlets.

At the same time, there has been a 13% decline in the number of U.S. service stations, according to the Lanham, Md.-based Automotive Parts & Accessories Assn. That little shop around the corner where a customer used to get his car fixed may no longer exist. If it does, it probably does not do repair work. The result is an increase in the number of do-it-yourselfers—often looking for the best price on auto parts and chemicals.

Mass operators are not blind to trends. In fact, the number of nonauto retailers selling auto items jumped 9.6% last year, according to *Home & Auto*. The magazine reports that nonauto operators now account for about $2.83 billion of total auto aftermarket sales.

Although mass retailers' sales of automotive products have slowed somewhat since the early 1980s, growth is pegged by C.H. Kline & Co. at 8.9% a year through 1988.

The growth is perhaps strongest in drugstores, where industry publication *Drug Store News* reports that auto product volume rose 8.5% last year to $170 million. "Drugstores have not been sleeping. They represent a great growth opportunity for us," says a spokesman for STP Corp., Fort Lauderdale, Fla.

The first drugstore chain to charge into a full-line auto department was Pontiac, Mich.-based Perry Drug Stores. In

(Continued on Page 24)

Soar In
The Atmosphere.
Of all the magazines available to your high-flying audience on major airlines, which is the most read? Put your money on a member of Air Group One every time! It's the perfect environment for your advertising. Why? Because 47.7% of Air Group One's readers own luxury vehicles, 78.8% have rented cars in the past 12 months, 38.6% own mid-size cars, and 77.2% own two or more cars. And remember...studies show business fliers often use auto rentals to test-drive the car they ultimately buy for themselves! To find out more about how you can stand out with Air Group One, call our Vice President for Sales, Alan Winter, today at (305) 893-1520.
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Two years ago, Perry Drug Stores started Auto Works, free-standing auto stores.

Retailers

(Continued from Page 22)

1976, the chain started sprinkling more auto items into its product mix. The philosophy was that auto departments would help bring in more male shoppers; drugstores traditionally attract three women to every one man.

Perry's strategy proved so successful that the 338-store chain started opening large, drug/auto combination stores equipped to produce 25% more sales than the traditional prototype.

Now the company operates 65 of these combos, which devote anywhere from 1,500 to 8,000 sq. ft. to auto items, ranging from Perry private-label filters to foreign car parts.

Just two years ago, Perry drove even harder into the auto business when it began opening free-standing auto stores called Auto Works. Combined, these two auto-store formats accounted for 22% of Perry's 1984 sales of $372 million.

Along the way, Perry discovered other perks associated with the automotive business. "While drugstores enjoy the highest sales and earnings during Christmas—our first quarter—auto sales hit their peak in the second quarter," says Alvin Wander, exec vp-treasurer. Auto retailing, in other words, is at least a partial cure for the cyclical nature of the drugstore business.

Perry Drug Stores, Pontiac, Mich., operates 65 drug/auto combination stores.

Because auto sales are so strong in the spring, Perry and others tend to sock their promotional dollars into ads aired or printed in April and May. According to Bev Lyons, media representative, Perry promotes its auto selection via 22 circulars (used for the free-standing auto stores) and 28 full-page newspaper ads during the year. Some spot tv is used in Michigan, especially to launch a new store.

Price is a key factor in the ads, as it is in most mass retailers' messages. Motor oil is the primary ad item and chains usually sell it at cost.

"Sure, we don't make any money on the advertised loss leaders," says Don Gross, vp-marketing for Genovese Drug Stores, Melville, N.Y., "but the ads help bring in customers who will buy other items."

Genovese hopes so; it recently opened a 3,000-sq.-ft. auto section in the basement of a new 12,000-sq.-ft. store in Jackson Heights, N.Y. To herald the opening, Genovese took out full-page ads in the *New York Daily News*—an unusual tack for a one-store auto department.

The chain expects the inventory—which totaled $70,000 at opening—will turn over eight times a year, and the auto department will produce annual sales of between $500,000 and $700,000.

That is on top of the sales amassed in the conventional part of the store, which will be about $3 million a year, sources estimate.

"We really feel the auto aftermarket is burgeoning," Mr. Gross says, "and we'll open more Genovese Auto Warehouses in the 10 to 12 units we open this year."

Troy, Mich.-based K mart Corp. also is testing the automotive waters. Although the retailer always has offered a wide selection of batteries, accessories and chemicals, it most recently unwrapped four test units in Mobile, Ala., featuring separate auto service centers, averaging 4,500 sq. ft. to 6,700 sq. ft.

The K mart centers include two features generally lacking in mass marketers' auto stores: Trained personnel and a catalog through which out-of-stock parts, even some foreign and obscure ones, may be ordered.

To launch the four test stores, K mart devoted 75% of its ad budget for the openings to print, with the rest split between tv and radio. The chain will not comment on further plans for the auto departments.

Local sources, however, report that the system is working well, especially because K mart does not butt heads with any of the strong specialty auto parts chains in its Mobile market.

Another drugstore chain seizing the opportunity to fill a niche in its marketing area is Liverpool, N.Y.-based Fay's Drug Co. Late last year, Fay's introduced Wheels, its entry into the auto aftermarket. Wheels, according to chain president Dan Herrmann, was conceived based on the chain's success with automotive products in its superdrugstores.

Fay's plans to open two more free-standing Wheels units in Albany and Syracuse, N.Y., this year.

"It is not surprising that drug chains are branching out to add free-standing auto store chains, because the margins are so much better," says Dan Barry, vp, Kidder Peabody & Co., New York.

He cites Shiremanstown, Pa.-based Rite Aid Corp. with its ADAP auto stores and Pay 'n Save Corp. in Seattle with Schuck's as prime examples.

Even Perry, Ms. Lyons says, will open free-standing auto units in the future rather than combination drug/auto stores. "We'll probably open more auto units side-by-side with a drugstore," she says.

The obvious reason for the split, sources say, is that it keeps the product categories separate, yet attracts both the shopper who wants toothpaste and the one who wants exhaust pipes. Drugstore chains pursuing this route include Harco Drug, Northport, Ala., with its Carport units and Malone & Hyde, Memphis, with its Auto Shack Stores.

It is both the image problems—motor oil next to shampoo—and space restrictions that have kept some retailers from jumping into the fray.

"We stick to the basics in our sections," says Joe Pollard, vp-advertising for Alexandria, Va.-based People's Drug Stores. "We try to carry what our customer might need as a convenience."

Then, too, J.C. Penney Co., New York, withdrew from the business when it repositioned itself as a department store. "Auto just does not cut it in Penney's new image," a company spokesman says.

Other mass marketers believe the do-it-yourself repair business has peaked. Many home centers, according to trade newspaper *National Home Center News*, are leaving the automotive market. Busy Beaver in Pittsburgh, Lloyd Lumber in Danbury, Conn., and Mr. How Warehouse in Margate, Fla., head the list of home centers cutting the department because they believe the business is leveling off.

Yet there's no denying the success achieved by retailers that really pursue the business, says one retail analyst who follows the industry. "Auto retailing is very similar to running drugstores. If anything, the addition of auto just makes better economies of scale."

Concludes a spokesman for Rite Aid, "With the drugstore industry maturing and consolidating, auto retailing promises better long-term growth." ■

Parts proliferation

Number of outlets selling auto products (% of total)

	1983	1980
Auto repair/service	156,400 (100%)	137,800 (100%)
Gasoline	130,100 (95%)	150,100 (95%)
Grocery	85,100 (53%)	83,600 (50%)
Auto parts	38,000 (100%)	28,600 (100%)
New car dealer	26,700 (100%)	29,800 (100%)
Hardware	18,200 (61%)	17,800 (61%)
Drug	15,000 (30%)	13,400 (27%)
Tire	12,200 (100%)	14,800 (100%)
Discount	7,000 (97%)	6,900 (99%)
Variety	5,300 (35%)	5,900 (34%)
Department	2,500 (45%)	2,700 (50%)

Source: Automotive Parts and Accessories Assn.

"Why I read the Herald Examiner."

Jean Craig

JEAN CRAIG/PRESIDENT and CREATIVE DIRECTOR
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LOS ANGELES HERALD EXAMINER

L.A.'s most readable morning newspaper

Do-it-yourselfers build parts market

By Cathy Curtis

"I once had a manager put his arm around me when I said we had no competition," says Schuck's Auto Supply president Ron Weinstein. " 'Everybody who sells spark plugs is competition,' he told me."

Once the province of the warehouse distributor—who was generally too busy selling to service stations to bother with the lone retail customer—automobile parts retailing has become a highly competitive and increasingly consumer-driven field in recent years.

More than 2,600 retail companies, most operating 10 or fewer stores in specific geographic regions, are fighting for their share of the over-the-counter parts and accessories market, which climbed to $30 billion last year, according to Ed Kaufman, president of Lindsey-Kaufman Co., Tenafly, N.J.

The so-called "traditional" parts aftermarket consists of the independents with fewer than five locations, the warehouse distributors and the jobber-retailers—whose walk-in retail trade has expanded to 35% of their sales, Mr. Kaufman says. (Sarah Frankson, publisher of *Automotive Marketing*, a Chilton Co. trade publication, puts this figure at 28% to 30%.)

Cathy Curtis is a free lance business writer who most recently wrote for Advertising Age *about used computer retailers.*

The other, larger and faster growing chunk of the parts aftermarket is the turf of the volume retailers—the high-volume auto chains, mass merchandisers, hardware-home centers and discount retailers.

The market everyone wants to reach is the do-it-yourselfer. According to the *Automotive Marketing* 1984 Vehicle Maintenance Study, 71% of car owners think of themselves as do-it-yourselfers, even if they do little more than change their own oil—without bothering to replace the filter.

But the hard-core do-it-yourselfer is the man (the market is 85% male) in his late 30s who owns a single vehicle and whose income is less than $30,000.

Selling products that may or may not encompass hard (replacement) parts, chemicals, accessories, "performance" products and tires, the volume retailers already control about 84% of the do-it-yourself market, according to Lindsey-Kaufman estimates.

Ms. Frankson says the field is "filled with very successful entrepreneurs . . . even when they go into a public company, they're so small a part of a much larger fish."

One of the new breed of professional managers, Fran LaBrecque of Avon, Mass.-based ADAP (American Discount Auto Parts), was profiled last December in *Esquire's* 1984 Register of superachievers younger than 40. Mr. LaBrecque, a former car salesman, started his company on borrowed money, saw it grow at an average rate of 37.5% for five years, and sold its 62 New England area stores in 1984 to Rite Aid, a drugstore chain, for $28 million.

Acquisitions by mass retailers of free-standing parts store chains are increasingly common. Perry Drug's acquisition of Auto Works and Fleenor (now the 163-unit FAS/Auto Works chain, with 1984 sales of $80.7 million) and Dart Drug's takeover of Trak Auto were both cases of chains with strong auto departments gaining more clout in the aftermarket.

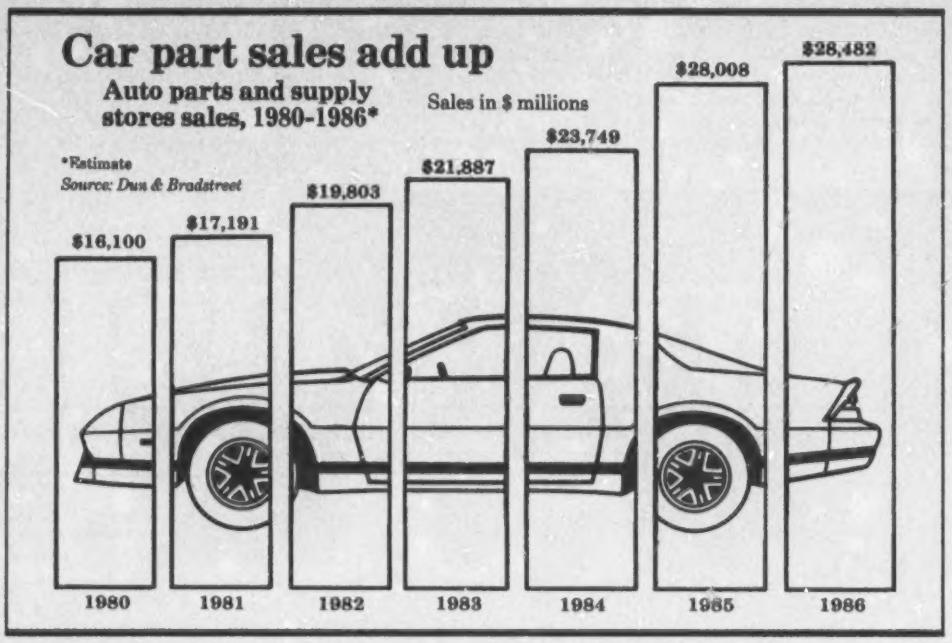
Other similar arrangements include Pay 'N Save Corp.'s takeover of Schuck's Auto Parts (65 stores in the Northwest), Auto Shack (a Memphis-based division of Malone & Hyde), Chief Auto Parts (a 435-store division of Dallas-based Southland Corp.) and Lucky LKS Automotive (a 379-unit, Phoenix-based subsidiary of Lucky Stores).

The diverse nature and ownership of these parts outlets, however, makes it almost impossible to come up with an over-all reading of market share.

Some chains sell mainly home and hardware items; auto parts account for only 8% of 250-unit, Tulsa, Okla.-based OTASCO's $325 million in 1984 retail sales, for example.

Others focus on specific aspects of the aftermarket; Super Shops, San Bernardino, Cal., sells only high-performance products in its stores, which registered about $75 million in 1984 sales.

Market share varies by product line, Ms. Frankson says. The nonautomotive stores tend to sell fast-moving, high-volume products such as chemicals, wax, polish and antifreeze. Although the discount stores "probably



Print is 'backbone'

Auto parts store advertising traditionally has been funded by a co-op allotment from product suppliers. Historically, says Ed Kaufman of Lindsey-Kaufman Co., the aftermarket hasn't always made the best use of advertising.

But things are changing. Ron Weinstein speaks for many when he says his company, Schuck's Auto Supply, has "tried virtually all forms of media—sides of buses, billboards—but print appears to be the backbone of our business." Schuck's blankets the 31 newspapers in its market with page ads, generally featuring a single item. With direct mail, Schuck's reaches some 2.2 million prospective customers—"the universe," according to Mr. Weinstein.

R&S Strauss Stores, Union, N.J., has been running tv spots for the past three years, using mostly co-op funds. "Those suppliers with whom we do sufficient business to pay for tv time are few and far between," says Joe Kratka, exec vp for the 48-store chain, which had 1984 sales of more than $50 million. "It's expensive for us, making new commercials every year." Currently, the company's focus is on drive-time radio, metropolitan newspapers and shoppers in the outlying suburban areas.

One auto parts company executive, who wishes to remain anonymous, says, "When you're on tv you reach all the motoring public, male and female. In the newspaper, buried in the sports pages, we feel we're reaching the male customer only."

On the other hand, he says there is "an immediate aspect when you're on television, but the consistent customer base seems to come from the newspaper." —*C.C.*

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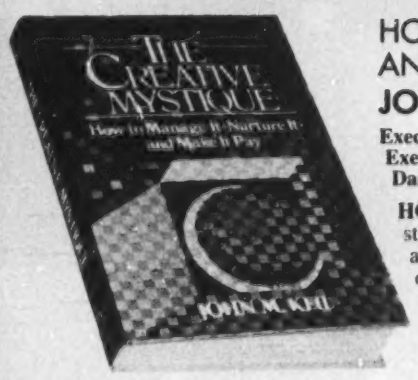

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have a predominant share of the chemical business," Ms. Frankson says, the jobber will sell heavy-duty engine parts the chains won't touch.

One of the jobber's advantages over the volume retailer is a broader selection, including items that aren't sufficiently profitable for the chains. The jobber also has more space and in-depth product knowledge, Mr. Kaufman says.

But what the jobber can't do is compete with the chains in pricing.

The current trend among the volume retailers is toward a supermarket-style store in which the motto is self-service. Stores run anywhere from 1,800 to 15,000 sq. ft., with the average between 10,000 and 12,000 sq. ft. There is a growing awareness of the importance of appearance.

At Pep Boys, Los Angeles (there is also a Philadelphia-based division), Chuck Fox, vp-advertising and sales, stresses "cleanliness . . . sparkle . . . an atmosphere of excitement" in his company's 150 stores.

The chain, which chalked up 1984 sales of $350 million, looks for properties near discount stores and other automotive dealers.

Super Shops, which is adding to its 70-store count at a breakneck pace—three to five a month—currently is locating in shopping mall areas vacated by Kinney Shoe Stores.

Pricing manager Wayne Osburn says Super Shops "don't have to put stores in what most people think is a desirable area . . . since 1963 [the founding year], we've never closed down a store."

Mr. Osburn emphasizes the cleanliness and eye-catching displays in the Super Shops stores. "Our windows aren't all cluttered up with gobbledygook," he says.

Certain auto chains haven't joined the rush toward the superstore idea, however. Action Auto's Jim Sabo, one of three brothers who own the chain, was quoted in an *Automotive Marketing* story last year as saying many smaller stores in the right locations are infinitely preferable to one giant store.

The catch is that this Flint, Mich.-based chain of stores—which average 1,800 to 3,000 sq. ft.—all sell gas. Action takes over abandoned gas stations, fills the store area with parts, chemicals and accessories, and requires customers to come inside to pay for filling the tank, thus exposing the consumers to the merchandise.

Schuck's Auto Supply, Tukwila, Wash., also sees its 5,000-sq.-ft. stores as marching to a different drummer. The units, which together had 1984 sales of $70 million, are "a throwback to yesterday and part of tomorrow," Mr. Weinstein says. "Self-service? By every definition I could come up with, no . . . ideally, we would like to make personal contact with every customer."

That includes helping with needs the do-it-yourselfer may not even know he has.

But there are other ways to reach the do-it-yourself market, if high-tech promises can be believed. Just as in-store computerization has made significant inroads in auto parts chains, by connecting the cash register with the stockroom and the warehouse with the network of stores, computer access is affecting the customer directly, too.

Both Crown Auto, Minneapolis, and its major competition, Champion Auto Stores, New Hope, Minn., use a system developed by ARIS (Automated Retail Information Services) in which information the do-it-yourselfer supplies about his car is encoded on a magnetic card. When the card is read by a computer, it yields information on the kind of products the car owner needs.

Crown, which registered 1984 sales of about $36 million, is testing Autofax in half of its 51 midwestern stores, while Champion is experimenting with this costly (more than $250,000, according to Dean Billbe, vp-sales and marketing) venture in 30 Twin Cities area stores. (Champion operates 115 stores in nine states.)

Other signs of the times include videotaped aids for the perplexed consumer. Lucky Automotive is using videotapes to steer the do-it-yourselfer to the right product.

At the videotext center at Champion stores, videodiscs extol the virtues of products, explain how they are used and how they will suit the do-it-yourselfer's needs.

"We give away knowledge," Mr. Billbe says.

Despite new ways of reaching the consumer and increased attention to the mood and look of the chain stores, some aspects of the parts aftermarket probably never will change. As surely as spring is in the air, the tuneup special will make its comeback, and when the icy blasts of winter are just around the corner, it's time to crank up the annual antifreeze promotion.

Still, the future does hold some major questions for the auto parts retailers. On a nuts-and-bolts level, because the market share held by the volume retailers is already so high, continued growth will be a matter either of expansion of the do-it-yourselfer base (its share of the total parts market is expected to reach 25% to 40% by the 1990s, according to Ford Motor Co. spokesman Mike Davis, as quoted in a January *Automotive Marketing* article)—or of slicing up the existing pie in different ways.

With the emphasis on a quantitative, analytical approach to the market favored by today's managers and increasing retail activity on the part of the warehouse distributors and jobbers, creative answers might be in the offing.

The announced goal on the part of car manufacturers of a "maintenance-free" automobile also may have a profound impact on parts retailers.

During the past 12 years, Ford

(Continued on Page 32)

THE FAST TRACK

Motor Magazine is moving up fast. According to the 1984 Folio 400, it is the 37th largest U.S. business publication in subscription revenue, and, with a 100% paid circulation of 125,439*, it is 41st in average circulation and 24th in average subscription circulation. And it keeps growing faster than the competition.

Motor is the magazine that reaches the professional automotive repair technician, a market that accounts for close to 90 billion a year in auto maintenance and repairs. In an industry in which technicians must keep up with new technology, Motor provides the most complete editorial coverage. It is read cover to cover, according to Starch, by close to 91% of its readers.

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***Source: ABC Statements, June, 1984**

Parts

(Continued from Page 31)
has eliminated 22 former maintenance operations.

Such bolt-on parts as water pumps, fuel pumps, alternators, starters and generators may not be needed in the car of tomorrow.

At the same time, the trend toward electronically controlled systems—expected to be a major feature in cars from 1987 onward—is likely to make the do-it-yourselfer increasingly leery of doing some work he used to take in stride.

The flip side of this innovation is that some of it (such as automatic warnings that it's time to change the oil) might encourage more product sales. The kind of tasks that most do-it-yourselfers perform probably won't be affected much, despite the increasingly cramped design of engine compartments.

In addition, while amateur mechanics who grew up working on the old jalopy may be dismayed by the mysterious workings of their new cars, children born of the electronic age take high-tech innovation for granted.

Finally, there's a time lag involved. In 1995, according to Predicasts, a Cleveland-based research company, two-thirds of the cars on the road will be 1987-and-later models. But most people still will be working on 1986-and-earlier cars.

The forecast for parts sales, according to a 1983 Dun & Bradstreet Credit Services report, "Automotive Aftermarket Retailing," is an "optimistic" 4.2% annual growth rate, in constant dollars, for the next three years.

With that short-term view and a glimpse of the innovation ahead for the next decade or so, it seems that most signs point to a revved-up future for the do-it-yourselfer and the parts chains that serve him.

Independents pitch quality to outrun chains

The caller dialing Thrifty Auto Parts in Santa Barbara, Cal., who happens to be put on hold is not left listening to elevator music. Instead, the store uses the time to make a pitch for its services. "Now your foreign parts headquarters, with over 1,000 parts," the recording says.

It's all part of being a small fish in a pond of barracudas—the situation today's independent auto parts retailers face.

Thrifty partner Scott Campbell says his business is basically retail, although he does sell to gas stations. Thrifty's two stores —the other in Carpinteria, a town of 10,000 halfway between Ventura and Santa Barbara— feature open-aisle merchandising in 2,300 and 2,800-sq.-ft. locations. The emphasis is on quality brands, Mr. Campbell says. "The first thing we look at is the quality of the line; price is second."

He says that, while Pep Boys is "clear at the other end of town," Trak Auto is "now really running roughshod." But he's not worried about Trak cutting into his business.

"I know people . . . when Pep Boys or Trak came in right near them, their business went up," he says.

His own business increased 10% in the first month the local Pep Boys opened in Santa Barbara, where Thrifty has been since 1965 and chalks up annual sales of $1 million.

"They really rely on fast-moving chemicals," he says of Pep Boys. On so-called "hard" parts, "their prices are different and they don't have the selection we do."

Patrick Mahoney, owner of Mike's Auto Parts, Portland, Ore., gets off the line in the middle of a brief conversation to confer with a customer. ("Oh, okay, what size engine?") His two stores in the Portland area began on a small scale in 1972 "in my mama's basement."

Although "a lot of people are out here selling auto parts," he says, Mr. Mahoney believes there's plenty of room for stores such as his that emphasize customer service and price.

Although he believes hard parts sell best through newspaper ads, there's nothing like the radio for responding swiftly to weather conditions.

If there's a sudden snowstorm, "I hurry and buy radio time . . . with newsprint you're looking at a minimum of a week's lag time," he says.

At Phil's Home & Auto Store, Wintersville, O., owner Alan Silberman says, "Our forte is stocking just brand-name parts."

An independent merchant associated with Ace Hardware Assn., Phil's was founded in 1961. In a self-service atmosphere catering mainly to the do-it-yourselfer, with some dealer business, Mr. Silberman says he does a "high volume" of business but won't reveal sales figures.

Although Nationwide Auto Parts and Sears, Roebuck & Co. offer major competition, Mr. Silberman says the difference of $1 or $1.25 between branded and off-branded merchandise makes little difference to his primary consumer.

Someone who takes the time off to work on his car "wants to do it right the first time," he says. "Statistically, I think we were ahead of the industry—we realized this years ago." —*C.C.*

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ABC

Competition fuels service bays

Service is one of the biggest competitive variables—and one of the potentially biggest growth areas—for the nation's automotive parts chains. Some retailers offer service across the board, others dabble in it and still others have ruled it out, at least for now.

Pep Boys stores, for instance, always have contained between four and ten service bays. "We do a very big business in service," says Charles Fox, vp of the Los Angeles-based company.

R&S Strauss stores contain between six and eight bays; Champion Auto Stores typically offers about 30. "It has not been a strong suit in the past," says Champion vp Dean Billbe, but with "electronics in the future," he can see the possibilities for expansion of service facilities.

In the wake of gas station closings, and with today's increasingly sophisticated automotive engineering scaring off many do-it-yourselfers, demand for service is high.

Still, Schuck's Auto Supply and Lucky LKS Automotive stores offer no service at all. Auto Works services only brake drums, and Action Auto finds that its service department, offered in only a few of its stores, accounts for just 4% of sales.

From the perspective of "dry" stores—those with no service—the outlay for equipment, trained personnel and space may not be worth the return.

"The cost of equipping a facility of seven to ten bays is about $100,000—and climbing," says Ed Kaufman of Lindsey-Kaufman Co.

According to the most recent statistics available through Lindsey-Kaufman, auto supply stores with service bays account for 2.5% of the auto service market. The Foundation for Aftermarket Industry Research, a part of the Auto Parts & Accessories Assn., Lanham, Md., reports that 7,600 parts stores are service-equipped, with an average of four bays an outlet.

Mr. Kaufman says that whereas conglomerate-owned auto parts chains primarily are concerned with growth over a broad geographic area, service-oriented retailers are more interested in cultivating every possible segment of their existing markets—from the serious do-it-yourselfer to the consumer who shuns any form of car repair and service.

In such cases, the availability of service facilities may make the difference between succumbing to competition from the dry stores and fighting to hang on to an existing customer base. —*C.C.*

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Security marketers strive for lock on awareness

By Frank Vizard

When car security marketers go to bed at night they don't pray for more stolen vehicles. Instead, they pray to a god that lives somewhere in Detroit. If their prayers are heard, that god may persuade the city's auto makers to get into the security business.

The people on their knees work for aftermarket car-security companies. It is their belief that the advertising clout that could be brought to bear by the auto makers would increase dramatically public awareness of their product.

"General Motors' involvement would probably be a plus, if only to increase consumer awareness of auto security," says Stu Sharenow, president of Primary Security, Mineola, N.Y.

Ultimately, it is likely their prayers will be answered. Car makers are taking more notice of car theft and have offered security devices as options on a few models. However, Detroit's advertising muscle is not likely to be felt for some time.

In the meantime, national attention for auto security will come at the largess of Alpine Electronics of America. The Torrance, Cal.-based company, known principally for its car audio products, has diversified into auto security and cellular phones. Alpine is positioning itself as a mobile electronics company; a $5 million ad campaign this year, using sports and news tv programing and a variety of men's magazines, will feature all three product categories.

Alpine believes auto security is a solid category, according to Jim Sala, ad manager for Alpine. "We've noticed a great response from our dealers."

Other companies from the consumer electronics arena soon may be adding to the over-all ad impact. Pioneer Electronics, Long Beach, Cal., is beginning an ad schedule with an undisclosed car buff magazine this month. Panasonic Co., Secaucus, N.J., looms on the horizon, but its security product is still being tested.

The entry of electronics giants such as Pioneer and Panasonic is welcomed by most other auto security marketers. "They realize that auto security is a viable product category," says Sheldon Kirschner, president of Anes Electronics, a Marina del Rey, Cal.-based manufacturer. "When companies like that get into the business, their advertising and marketing clout increases consumer awareness."

Among those that manufacture car security systems exclusively, only Techne Electronics of Palo Alto, Cal., has developed any real brand name awareness nationally, using a regular print schedule in *Car & Driver*.

And that's about where it ends for car security on a national basis.

About 80 companies are in the automotive security business. That's up somewhat from a year ago; in April, 1984, *Auto Sound & Communications*, a New York-based trade publication owned by International Thomson Co., listed 70 companies involved in auto security.

"New companies are starting up in local markets every day," Mr. Sharenow of Primary says. All this entrepreneurial activity makes tracking the auto security business very difficult, says Ron Berger, national sales manager of the auto products division of Panasonic.

All 80 of these companies carve up a market estimated between $155 million and $200 million at wholesale, according to industry executives and John Runnette, editor-publisher of *Installation News*, a Los Angeles-based trade magazine for auto security installers. Market penetration is minimal.

The type of product sold can be defined somewhat by distribution channels, with lower-priced items sold mostly through automotive parts stores and higher-priced electronic alarms the province of consumer electronic dealers. Car dealers generally sell both types.

At the car dealer level, Elk Grove Village, Ill.-based Chapman Industries Corp. may have as much as 50% of the market. Audiovox Corp., Hauppauge, N.Y., a major car audio company that has created a separate auto security division within its $100 million-plus company, is also a strong presence.

Within consumer electronics stores, Chatsworth, Cal.-based Crimestopper and Torrance, Cal.-based Auto Page have gained significant shares although the specter of electronics giants Alpine, Pioneer and Panasonic promises to make this segment very competitive. Alpine reports that 45% of its dealer base already is involved with its car security product.

In the do-it-yourself area, made up of automotive parts stores and similar outlets, Anes Electronics owns more than 50% of the market. Anes recently has spun off a new company, Senaco, aimed at penetrating the consumer electronics market.

While some companies have specialized successfully within a certain distribution channel, many others have specialized in marketing their product in specific geographic areas, mostly urban.

Most ad campaigns by auto security companies, therefore, are regional in nature. Chapman recently spent $50,000 on advertising in Chicago, Cleveland and Los Angeles. Code-Alarm/Tacco of Troy, Mich., last month began a radio campaign in Detroit that is being augmented by dealer advertising in local newspapers. Crimestopper has met with success in advertising in West Coast regional magazines.

The growth rate for the auto security industry is about 30% a year, according to industry consensus. That and the desirable target market—males between the ages of 29 and 55 years—are attracting the interest of many. But most of the new companies and a large portion of the older players do suffer from the same two problems: Lack of money and product negativity.

Auto security is a need-driven product rather than one desired by consumers. Often the purchase is made after a bad experience. Insurance companies offering up to 15% discounts to owners of cars equipped with security devices probably spur more sales than any advertising the industry has done.

"It's time for a real smart marketer to come in and build awareness," says Mr. Runnette of *Installation News*.

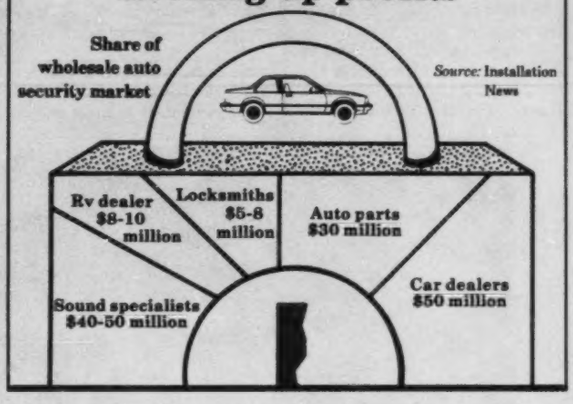
That smart marketer may be an auto maker. An amendment adopted by Congress, mandating that car security devices be offered as options in 1987, will bring the car companies into the business in a big way. As a result of this "black box amendment," as it is called in the industry, the size of the aftermarket easily could triple as consumers discover the alternatives available.

Marketing muscle also may come from a major national retail account, says Mr. Kirschner of Anes.

A national retail chain with installation facilities could provide the push an auto security product would need. Such a scenario could happen at any time, he says, putting auto security at the forefront of auto aftermarket purchases. ■

Frank Vizard writes for a variety of consumer and trade magazines, specializing in the auto security and consumer electronics industries.

Locking up profits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Source: Installation News
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Locksmiths $5-8 million
Auto parts $30 million
Car dealers $50 million
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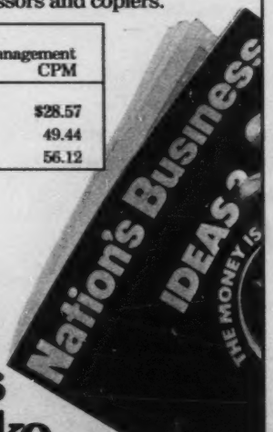

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